

UNCLASSIFIED

No Objection To Declassification in Full 2011/04/28 : LOC-HAK-208-5-68-1

ACTION

Department of State

TELEGRAM

CONTROL: 12724



INCOMING

AMERICAN EMBASSY, BRUSSELS

ORIGINATING POST:

ZURICH

MRN: 0297

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INFO RUQMRA/AMEMBASSY JIDDA PRIORITY 08

RUDTC/AMEMBASSY LONDON PRIORITY 318

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RUFNPS/USMISSION OECD PARIS PRIORITY UNN

RUFHBS/USMISSION EC BRUSSELS PRIORITY 120

BT

UNCLAS ZURICH 0297

DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, ENRG, XF

SUBJ: SAUDI ARABIAN PETROLEUM MINISTER, YAMANI COMMENTS
ON OIL, FINANCE AND MIDDLE EAST POLITICS

SHEIK AHMED ZAKI YAMANI, SAUDI MINISTER OF PETROLEUM AND NATURAL RESOURCES, SPOKE AT AN INTERNATIONAL CONFERENCE ON ECONOMIC RELATIONS WITH THE MIDDLE EAST SPONSORED BY THE GOTTLIEB DUTTWEILER INSTITUTE IN ZURICH ON MAY 27. YAMANI'S THEME WAS TO URGE THE RESUMPTION OF THE DIALOGUE BETWEEN PETROLEUM PRODUCING AND PETROLEUM CONSUMING COUNTRIES ON THE ENTIRE RANGE OF ECONOMIC ISSUES FACING THEM. HE EXPRESSED APPRECIATION FOR THE RECENT APPARENT SHIFT IN THE WESTERN ATTITUDE CONCERNING THE SCOPE OF PRODUCER/CONSUMER TALKS AND OPTIMISM OVER THE EVENTUAL PROSPECTS FOR A SUCCESSFUL DIALOGUE. YAMANI REPEATEDLY EMPHASIZED THE NEED FOR RESPONSIBLE COOPERATION RATHER THAN CONFRONTATION IN PRODUCER/CONSUMER RELATIONS AND MAINTAINED THAT THIS IS THE BASIS OF SAUDI POLICY.

THE FOLLOWING ARE SOME OF THE OTHER MAIN POINTS IN YAMANI'S PRESENTATION:

COPIES

INITIALS

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-- THE BEST WAY TO PROCEED IN THE DIRECTION OF COOPERATION IS TO RESUME THE PRODUCER/CONSUMER DIALOGUE WITH MULTILATERAL TALKS COVERING THE FOLLOWING AGENDA:

- A) ANALYSIS OF THE WORLD ECONOMIC SITUATION
- B) ENERGY
- C) RAW MATERIALS (INCLUDING FOOD)
- D) INTERNATIONAL COOPERATION ON DEVELOPMENT
- E) ASSISTANCE TO LESS DEVELOPED COUNTRIES
- F) WORLD MONETARY AND FINANCIAL PROBLEMS

-- IT IS UNDERSTANDABLE IN VIEW OF EVENTS OF THE PAST TWO YEARS THAT THE DEVELOPED COUNTRIES ARE PRE-OCCUPIED WITH QUESTIONS OF ENERGY AND SPECIFICALLY PETROLEUM SUPPLY. HOWEVER, IT WOULD NOT BE LOGICAL OR FAIR TO CONVENE AN INTERNATIONAL CONFERENCE TO STRIVE FOR SOLUTIONS TO THE PROBLEMS OF SOME PARTICIPANTS WHILE IGNORING PROBLEMS OF OTHERS.

-- SAUDI ARABIA ADVOCATES POLICIES OF MODERATION BOTH WITHIN OPEC AND IN RELATIONS BETWEEN OPEC AND CONSUMER COUNTRIES. IT WOULD BE SELF DEFEATING FOR SAUDI ARABIA TO SUPPORT MEASURES THAT WOULD UPSET THE ECONOMIES OF OTHER COUNTRIES. THIS IS WHY THE SAUDIS HAVE STRONGLY RESISTED EFFORTS WITHIN OPEC TO RAISE PETROLEUM PRICES TO EVEN HIGHER LEVELS AND WHY SAUDI ARABIA HAS PERMITTED RECENT SLIGHT PRICE REDUCTIONS. REDUCTIONS HAVE OCCURRED NOT BECAUSE OF CONSUMER EFFORTS BUT BECAUSE THE SAUDIS WERE WILLING TO ACCEPT THEM. THEY COULD EASILY HAVE BEEN PREVENTED BY CUTTING BACK SAUDI PRODUCTION TO REDUCE SUPPLY.

-- SAUDI ARABIA ENVISIONS NO CHANGE IN PETROLEUM PRICES FOR THE PRESENT TIME. IN THE LONGER TERM, IT IS LIKELY THAT PRICES WILL RISE, BUT THERE WILL BE NO SUDDEN AND DRAMATIC INCREASES SUCH AS THERE WERE IN 1973 AND 1974. THE PRICE OF PETROLEUM SHOULD BE RELATED TO THE PRICE OF MANUFACTURED GOODS AND RAW MATERIALS AND TO THE RATE OF INFLATION IN THE WEST.

-- IN RETURN FOR ITS COOPERATION IN AVOIDING PROBLEMS BETWEEN PRODUCER AND CONSUMER COUNTRIES, SAUDI ARABIA EXPECTS THAT DEVELOPED COUNTRIES WILL HELP WITH SAUDI INDUSTRIALIZATION AND DEVELOPMENT PROJECTS BY PROVIDING TECHNOLOGY AND KNOW HOW.

- EVEN AFTER SPENDING LARGE SUMS ON INTERNAL DEVELOPMENT, SAUDI ARABIA WILL HAVE AVAILABLE SURPLUS FUNDS FROM OIL REVENUES. IN ORDER TO AVOID BALANCE OF PAYMENT PROBLEMS FOR PRODUCER COUNTRIES, SAUDIS INTEND TO CONTINUE TO INVEST THESE FUNDS IN THE CONSUMER COUNTRIES. CONSUMER COUNTRIES WILL BE REQUIRED TO PROVIDE PROTECTION AGAINST THE LOSS IN THE VALUE OF THESE INVESTMENTS THROUGH INFLATUON.
- IN ANSWER TO A QUESTION, YAMANI INDICATED THAT THUS FAR, SAUDI INVESTMENTS IN THE EQUITY MARKET HAVE ONLY BEEN PORTFOLIO TYPE. UNLIKE IRAN AND KUWAIT, SAUDIS HAVE NOT PURCHASED LARGE HOLDINGS OF STOCK IN INDIVIDUAL CORPORATIONS. HE ADDED HOWEVER, THAT THIS COULD CHANGE. NELSON

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